

**City of New London**

**Independent Auditor's Report  
Management's Discussion and Analysis  
Financial Statements and Supplementary Information  
Independent Auditor's Report on Internal Control and Compliance  
Schedule of Findings and Questioned Costs**

**June 30, 2009**

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## City of New London

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike McBeth	Mayor	December, 2011
Frank Staley	Council Member	December, 2009
Mike Westerbeck	Council Member	December, 2009
Mark Hempen	Council Member	December, 2009
Joe White	Council Member	December, 2011
Ed Pilch	Council Member	December, 2011
Kasi A. Howard	City Clerk/Treasurer	Indefinite
Jeri Lyles	Deputy Clerk/Secretary	Indefinite
Danny Cornell	Attorney	Indefinite
Scott Housman	Utility Board Chairman	November, 2009
Daryl Gipple	Utility Trustee	November, 2009
Ron Miller	Utility Trustee	November, 2011
Gary Blanck	Utility Trustee	November, 2013
Jerry Wilhelm	Utility Trustee	November, 2013



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## **Independent Auditor's Report**

Honorable Mayor and Members of City Council  
City of New London, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of New London, Iowa (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 5, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 9 and budgetary comparison information on pages 23 and 24 are not required parts of the basic financial statements, but are supplementary information required by Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New London's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CPA Associates PC*

October 5, 2009

## **City of New London Management's Discussion and Analysis**

The City of New London (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities (not including transfers) decreased 14%, or approximately \$191,000, from fiscal 2008 to fiscal 2009. Property tax increased approximately \$8,000, interest income decreased \$8,000, miscellaneous fees decreased \$4,000, charges for services decreased \$17,000 and intergovernmental receipts decreased \$170,000.
- Disbursements decreased 18%, or approximately \$264,000 in fiscal 2009 from fiscal 2008. Public safety decreased approximately \$100,000, public works decreased approximately \$46,000 and capital projects decreased approximately \$163,000. Community and economic development increased approximately \$43,000, and general government increased approximately \$14,000.
- The City's total cash basis net assets decreased 9%, or approximately \$167,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$39,000 and the assets of the business type activities decreased by approximately \$128,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, electrical distribution and refuse collection. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds to provide information for the electrical distribution, waterworks, refuse collection and sanitary sewer system, all considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$631,890 to \$592,849. The analysis that follows focuses on the changes in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	Year Ended June 30,	
	<u>2009</u>	<u>2008</u>
Receipts:		
Program receipts:		
Charges for services	\$ 7	\$ 24
Operating grants, contributions and restricted interest	207	203
Capital grants, contributions and restricted interest	272	446
General receipts:		
Property tax	363	355
Tax increment financing collections	32	30
Local option sales tax	164	166
Unrestricted interest on investments	24	32
Other general receipts	<u>88</u>	<u>92</u>
Total receipts	<u>1,157</u>	<u>1,348</u>
Disbursements:		
Public safety	276	376
Public works	184	230
Culture and recreation	106	119
Community and economic development	43	-
General government	154	140
Debt service	32	31
Capital projects	<u>423</u>	<u>586</u>
Total disbursements	<u>1,218</u>	<u>1,482</u>
Change in cash basis net assets before transfers	(61)	(134)
Transfers	<u>22</u>	<u>22</u>
Change in cash basis net assets	(39)	(112)
Cash basis net assets beginning of year	<u>632</u>	<u>744</u>
Cash basis net assets end of year	<u>\$ 593</u>	<u>\$ 632</u>

The City's total receipts for governmental activities decreased by 14%, or \$191,000. The total cost of all programs and services decreased approximately \$264,000 with no new programs added this year. The significant decrease in receipts was the Childcare Community Development Block Grant of \$413,325 received in fiscal year 2008. The City received grant monies in the current year for sidewalk projects in the amount of \$272,000. The significant decrease in disbursements was the capital projects payments for the childcare center of \$413,325 in fiscal year 2008.



The cost of all governmental activities this year was \$1,218,000, compared to \$1,481,000 last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was only \$730,900 because some of the cost was paid by those directly benefited from the programs (\$7,300) or by other governments and organizations that subsidized certain programs with grants and contributions (\$479,700). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$730,900 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	Year Ended June 30,	
	<u>2009</u>	<u>2008</u>
Receipts:		
Program receipts:		
Charges for services:		
Water	\$ 169	\$ 176
Electric	1,515	1,603
Sewer	192	198
Sanitation	128	128
General receipts:		
Unrestricted interest on investments	39	40
Miscellaneous receipts	<u>105</u>	<u>212</u>
Total receipts	<u>2,148</u>	<u>2,357</u>
Disbursements and transfers:		
Water	266	177
Electric	1,622	1,729
Sewer	238	185
Sanitation	<u>129</u>	<u>113</u>
Total disbursements	<u>2,255</u>	<u>2,204</u>
Change in cash basis net assets before transfers	(107)	153
Transfers	<u>(22)</u>	<u>(22)</u>
Change in cash basis net assets	(129)	131
Cash basis net assets beginning of year	<u>1,217</u>	<u>1,086</u>
Cash basis net assets end of year	<u>\$ 1,088</u>	<u>\$ 1,217</u>

Total business type activities receipts for the fiscal year were \$2.148 million compared to \$2.357 million the prior year. The decrease was caused by a decrease in electric usage. The cash balance decreased by approximately \$129,000 from the prior year.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of New London completed the year, its governmental funds reported a combined fund balance of \$593,400, a decrease of \$39,700 from last year's total of \$633,100. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$157,700, a decrease of \$25,600 from the prior year. This decrease was due to a decrease in interest income (\$13,000), a decrease in charges for services, car inspections (\$5,000) and a decrease in miscellaneous receipts (\$7,600).

- The Road Use Tax Fund cash balance decreased by \$9,100 to \$124,000 during the fiscal year.
- The Debt Service Fund cash balance increased by \$7,500 to \$13,800 during the fiscal year.
- The Local Option Sales Tax was established in previous years to provide additional fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for 100% of capital projects. The Capital Projects Fund decreased by \$17,800 to \$272,000 during the fiscal year.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

### Proprietary Funds

The cash balance of the Enterprise Funds decreased by approximately \$134,400 to \$1,055,200. This decrease was primarily due to a decrease in usage for electric and water services.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on May 5, 2009 and resulted in an increase in operating disbursements related to a cost overrun of approximately \$258,000 on various projects. Even with these budget amendments, the City exceeded the budget for the Community and Economic Development, General Government, Debt Service and Capital Projects functions for the year ended June 30, 2009. None of the amendments made during the 2009 fiscal year should have any impact on the 2010 fiscal year budget.

## DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$1,034,000 in bonds and other long-term debt, compared to approximately \$1,153,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)	June 30,	
	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 35	\$ 55
Revenue notes	628	943
Capital loan notes	<u>371</u>	<u>155</u>
Total	<u>\$ 1,034</u>	<u>\$ 1,153</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt and capital loan notes of \$406,000 is below its constitutional debt limit of approximately \$1.5 million.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the 2010 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the County now stands at 8.7%, versus 5.0% a year ago. These indicators were taken into account when adopting the budget for fiscal year 2010.

Inflation in the State continues to be consistent with the national Consumer Price Index (CPI) increase. The State's CPI increase was 0.2% for the fiscal year 2009 compared with the national rate of 0.2%. Inflation has been modest here, due in part to the slowing of the residential housing market and increases in energy prices in 2009.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Kasi A. Howard, City Clerk, City of New London, 112 West Main Street, New London, Iowa 52645.

## **BASIC FINANCIAL STATEMENTS**

**City of New London**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the year ended June 30, 2009**

		Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>	<u>Disbursements</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Governmental activities:							
Public safety	\$ 275,522	\$ 3,278	\$ 29,535	\$ -	\$ (242,709)	\$ -	\$ (242,709)
Public works	184,477	1,069	161,191	-	(22,217)	-	(22,217)
Culture and recreation	105,726	-	14,435	-	(91,291)	-	(91,291)
Community and economic development	43,493	-	-	-	(43,493)	-	(43,493)
General government	154,095	2,921	-	-	(151,174)	-	(151,174)
Debt service	31,672	-	-	-	(31,672)	-	(31,672)
Capital projects	<u>422,931</u>	<u>-</u>	<u>2,119</u>	<u>272,466</u>	<u>(148,346)</u>	<u>-</u>	<u>(148,346)</u>
Total governmental activities	<u>1,217,916</u>	<u>7,268</u>	<u>207,280</u>	<u>272,466</u>	<u>(730,902)</u>	<u>-</u>	<u>(730,902)</u>
Business type activities:							
Water	265,619	168,827	-	-	-	(96,792)	(96,792)
Electric	1,621,550	1,515,486	-	-	-	(106,064)	(106,064)
Sewer	237,621	192,436	-	-	-	(45,185)	(45,185)
Sanitation	<u>129,752</u>	<u>128,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,415)</u>	<u>(1,415)</u>
Total business type activities	<u>2,254,542</u>	<u>2,005,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(249,456)</u>	<u>(249,456)</u>
Total	<u>\$ 3,472,458</u>	<u>\$ 2,012,354</u>	<u>\$ 207,280</u>	<u>\$ 272,466</u>	<u>(730,902)</u>	<u>(249,456)</u>	<u>(980,358)</u>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					362,711	-	362,711
Tax increment financing					31,500	-	31,500
Local option sales tax					163,702	-	163,702
Unrestricted investment earnings					23,813	38,695	62,508
Transfers					22,000	(22,000)	-
Miscellaneous					<u>88,135</u>	<u>104,573</u>	<u>192,708</u>
Total general receipts and transfers					<u>691,861</u>	<u>121,268</u>	<u>813,129</u>
Change in cash basis net assets					(39,041)	(128,188)	(167,229)
Cash basis net assets beginning of year					<u>631,890</u>	<u>1,216,959</u>	<u>1,848,849</u>
Cash basis net assets end of year					<u>\$ 592,849</u>	<u>\$ 1,088,771</u>	<u>\$ 1,681,620</u>
<b>Cash Basis Net Assets</b>							
Restricted:							
Road use					\$ 124,049	\$ -	\$ 124,049
Capital projects					272,018	-	272,018
Other purposes					13,322	457,890	471,212
Unrestricted					<u>183,460</u>	<u>630,881</u>	<u>814,341</u>
Total cash basis net assets					<u>\$ 592,849</u>	<u>\$ 1,088,771</u>	<u>\$ 1,681,620</u>

See notes to financial statements.

**City of New London**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2009**

	General	Special Revenue Road Use	Capital Projects Fund	Debt Service	Other Nonmajor Governmental	Total
<b>Receipts:</b>						
Property tax	\$ 241,714	\$ -	\$ -	\$ -	\$ 120,997	\$ 362,711
Tax increment financing collections	-	-	-	31,500	-	31,500
Other taxes	25,000	-	138,702	-	-	163,702
Use of money and property	68,467	-	15,398	-	-	83,865
Licenses and permits	505	-	-	-	-	505
Intergovernmental	44,398	161,191	274,585	-	-	480,174
Charges for services	11,909	-	-	-	-	11,909
Miscellaneous	16,825	4,422	-	-	572	21,819
Total receipts	<u>408,818</u>	<u>165,613</u>	<u>428,685</u>	<u>31,500</u>	<u>121,569</u>	<u>1,156,185</u>
<b>Disbursements:</b>						
Operating:						
Public safety	247,229	-	-	-	28,293	275,522
Public works	26,390	134,230	13,038	-	10,819	184,477
Culture and recreation	93,746	-	-	-	11,980	105,726
Community and economic development	-	-	43,493	-	-	43,493
General government	89,078	-	-	-	65,017	154,095
Debt service	-	7,627	-	24,045	-	31,672
Capital projects	-	32,896	390,035	-	-	422,931
Total disbursements	<u>456,443</u>	<u>174,753</u>	<u>446,566</u>	<u>24,045</u>	<u>116,109</u>	<u>1,217,916</u>
Excess (deficiency) of receipts over disbursements	(47,625)	(9,140)	(17,881)	7,455	5,460	(61,731)
Other financing sources (uses):						
Operating transfers in (out)	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
Net change in cash balances	(25,625)	(9,140)	(17,881)	7,455	5,460	(39,731)
Cash balances beginning of year	<u>183,381</u>	<u>133,189</u>	<u>289,899</u>	<u>6,416</u>	<u>20,244</u>	<u>633,129</u>
Cash balances end of year	<u>\$ 157,756</u>	<u>\$ 124,049</u>	<u>\$ 272,018</u>	<u>\$ 13,871</u>	<u>\$ 25,704</u>	<u>\$ 593,398</u>
<b>Cash Basis Fund Balances</b>						
Reserved for Debt service	\$ -	\$ -	\$ -	\$ 13,871	\$ -	\$ 13,871
Unreserved:						
General fund	157,756	-	-	-	25,704	183,460
Special revenue fund	-	124,049	-	-	-	124,049
Capital projects fund	-	-	272,018	-	-	272,018
<b>Total cash basis fund balances</b>	<u>\$ 157,756</u>	<u>\$ 124,049</u>	<u>\$ 272,018</u>	<u>\$ 13,871</u>	<u>\$ 25,704</u>	<u>\$ 593,398</u>

See notes to financial statements.

**City of New London**  
**Reconciliation of the Statement of Cash**  
**Receipts, Disbursements and Changes in Cash Balances**  
**to the Statement of Activities and Net Assets -**  
**Governmental Funds**  
**As of and for the year ended June 30, 2009**

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**Total governmental funds cash balances (page 11)** \$ 593,398

*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

(549)

**Cash basis net assets of governmental activities (page 10)** \$ 592,849

**Net change in cash balances (page 11)** \$ (39,731)

*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

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**Change in cash basis net assets of governmental activities (page 10)** \$ (39,041)

See notes to financial statements.

**City of New London**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2009**

	Enterprise Funds						Internal Service Fund
	Water	Electric	Sewer	Sanitation	Utility Deposits	Total	Employee Health
Operating Receipts:							
Charges for services	\$ 168,827	\$ 1,515,486	\$ 192,436	\$ 128,337	\$ -	\$ 2,005,086	\$ -
Miscellaneous	-	-	-	-	-	-	20,000
Total operating receipts	<u>168,827</u>	<u>1,515,486</u>	<u>192,436</u>	<u>128,337</u>	<u>-</u>	<u>2,005,086</u>	<u>20,000</u>
Operating Disbursements:							
Business type activities	<u>162,574</u>	<u>1,279,681</u>	<u>180,705</u>	<u>122,125</u>	<u>9,768</u>	<u>1,754,853</u>	<u>13,546</u>
Total operating disbursements	<u>162,574</u>	<u>1,279,681</u>	<u>180,705</u>	<u>122,125</u>	<u>9,768</u>	<u>1,754,853</u>	<u>13,546</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>6,253</u>	<u>235,805</u>	<u>11,731</u>	<u>6,212</u>	<u>(9,768)</u>	<u>250,233</u>	<u>6,454</u>
Non-operating receipts (disbursements):							
Interest on investments	6,715	16,331	13,926	1,723	-	38,695	480
Miscellaneous	1,668	61,564	36,021	775	8,069	108,097	-
Capital outlay	(103,045)	(45,154)	-	-	-	(148,199)	-
Debt service	-	(296,715)	(56,916)	(7,627)	-	(361,258)	-
Net non-operating receipts (disbursements)	<u>(94,662)</u>	<u>(263,974)</u>	<u>(6,969)</u>	<u>(5,129)</u>	<u>8,069</u>	<u>(362,665)</u>	<u>480</u>
Excess (deficiency) of receipts over disbursements	<u>(88,409)</u>	<u>(28,169)</u>	<u>4,762</u>	<u>1,083</u>	<u>(1,699)</u>	<u>(112,432)</u>	<u>6,934</u>
Operating transfers in	-	260,000	-	-	-	260,000	-
Operating transfers out	<u>-</u>	<u>(260,000)</u>	<u>(11,000)</u>	<u>(11,000)</u>	<u>-</u>	<u>(282,000)</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>(11,000)</u>	<u>(11,000)</u>	<u>-</u>	<u>(22,000)</u>	<u>-</u>
Net change in cash balances	(88,409)	(28,169)	(6,238)	(9,917)	(1,699)	(134,432)	6,934
Cash balances beginning of year	<u>295,685</u>	<u>404,512</u>	<u>414,669</u>	<u>50,252</u>	<u>24,510</u>	<u>1,189,628</u>	<u>26,092</u>
Cash balances end of year	<u>\$ 207,276</u>	<u>\$ 376,343</u>	<u>\$ 408,431</u>	<u>\$ 40,335</u>	<u>\$ 22,811</u>	<u>\$ 1,055,196</u>	<u>\$ 33,026</u>
<b>Cash Basis Fund Balances</b>							
Reserved for equipment replacement	\$ -	\$ 62,390	\$ 353,000	\$ 42,500	\$ -	\$ 457,890	\$ -
Unreserved	<u>207,276</u>	<u>313,953</u>	<u>55,431</u>	<u>(2,165)</u>	<u>22,811</u>	<u>597,306</u>	<u>33,026</u>
<b>Total cash basis fund balances</b>	<u>\$ 207,276</u>	<u>\$ 376,343</u>	<u>\$ 408,431</u>	<u>\$ 40,335</u>	<u>\$ 22,811</u>	<u>\$ 1,055,196</u>	<u>\$ 33,026</u>

See notes to financial statements.



**City of New London**  
**Reconciliation of the Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**to the Statement of Activities and Net Assets -**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2009**

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**Total enterprise funds cash balances (page 13)** \$ 1,055,196

*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

33,575

**Cash basis net assets of business type activities (page 10)** \$ 1,088,771

**Net change in cash balances (page 13)** \$ (134,432)

*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

6,244

**Change in cash basis net assets of business type activities (page 10)** \$ (128,188)

See notes to financial statements.

**City of New London**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The City of New London (City) is a political subdivision of the State of Iowa located in Henry County. It was incorporated in 1861 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development and general government services. The City also provides electric, water, refuse collection and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the GASB criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Des Moines County Regional Solid Waste Commission, Henry County Assessor's Conference Board, Henry County Emergency Management Commission, and Henry County Joint E911 Service Board.

Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**City of New London**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt and the Urban Renewal Tax Increment projects.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities. Local option sales tax is recorded in this fund.

**City of New London**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City owned electric utility system.

The Sanitation Fund accounts for the operation and maintenance of the City's solid waste collection system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

**Measurement Focus and Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Community and Economic Development, General Government, Debt Service and Capital Projects functions.

The City performed an evaluation of subsequent events through October 5, 2009. There have been no subsequent events that occurred that would require disclosure or recognition in the financial statements as of June 30, 2009.

**City of New London**  
**Notes to Financial Statements**

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**Note 2. Cash and Pooled Investments**

The City's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2009 were entirely in certificates of deposit.

**Note 3. Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, sewer and electric revenue bonds and other debt are as follows:

Year Ended June 30,	General Obligation Bonds		Sewer Revenue Bond		Electric Revenue Bond		Other Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 20,000	\$ 2,870	\$ 30,000	\$ 18,390	\$ 15,000	\$ 600	\$ 94,094	\$ 13,530
2011	15,000	825	31,000	17,490	-	-	95,374	10,133
2012	-	-	32,000	16,560	-	-	96,692	6,681
2013	-	-	33,000	15,600	-	-	78,487	3,091
2014	-	-	34,000	14,610	-	-	6,684	202
2015-25	-	-	453,000	85,620	-	-	-	-
	<u>\$ 35,000</u>	<u>\$ 3,695</u>	<u>\$ 613,000</u>	<u>\$ 168,270</u>	<u>\$ 15,000</u>	<u>\$ 600</u>	<u>\$ 371,331</u>	<u>\$ 33,637</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

**Revenue Bonds**

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$727,000 in sewer revenue notes issued in April 2005. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$613,000. For the current year, principal and interest paid and total customer net receipts were \$49,290 and \$11,731, respectively.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$835,000 in electric revenue notes issued April 2006. The notes are payable solely from electric customer net receipts and are payable through 2010. The total principal and interest remaining to be paid on the notes is \$15,000. For the current year, principal and interest paid and total customer net receipts were \$296,715 and \$235,805, respectively.

**City of New London**  
**Notes to Financial Statements**

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**Note 3. Bonds and Notes Payable (continued)**

The resolutions providing for the issuance of the sewer and electric revenue bonds include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate electric and sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- (c) Monthly transfers equal to a sum of one-twelfth of the principal of the Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Sinking Fund for the purpose of making bond interest and principal payments when due. At June 30, 2009, the Electric restricted fund had a balance of \$12,390 and is included as part of the Electric Revenue Fund balance. The City has not established the sewer sinking fund and has not made monthly transfers as required by the water revenue bond resolution.
- (d) Sewer user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements of the next succeeding Fiscal Year.
- (e) A minimum of \$1,000 per month shall be transferred to the Electric Repair and Replacement Fund until a fund balance of \$50,000 is attained. These funds are to be used solely to pay the cost of extraordinary maintenance expense or repairs and capital improvements to the system. At June 30, 2009, this restricted fund had a balance of \$50,000 and is included as part of the Electric Revenue Fund balance.

**Note 4. Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contributions are established by State statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$44,400, \$44,900 and \$44,100, respectively, equal to the required contributions for each year.

**City of New London**  
**Notes to Financial Statements**

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**Note 5. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and other termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 25,268
Comp time	<u>1,710</u>
	<u>\$ 26,978</u>

The liability has been computed based on rates of pay as of June 30, 2009.

**Note 6. Self-Insured Health Benefits**

The City of New London has an agreement to provide certain health benefits. The City pays 100% of the premium for health insurance. The City also pays 80% of the deductible up to the point where Wellmark Blue Cross Blue Shield of Iowa begins coverage. The City's liability for self-insured health benefits was approximately \$52,500 at June 30, 2009.

**Note 7. Related Party Transactions**

Business transactions between the City and City officials totaled \$1,458 during the year ended June 30, 2009.

**Note 8. Major Supplier**

The Utilities' power is currently purchased through the Resale Power Group of Iowa. The total amount purchased was \$798,065 which represents 100% of the total kilowatt hours generated and purchased.

**Note 9. Commitments**

The principal commitments of the City are as follows:

Uni-Loader	\$ 34,500
Hot Box	26,000

**Note 10. Franchise Fees**

The City receives franchise fees from Mediacom Communications Corporation at 5% of their gross subscriber revenue. The agreement is for five years ending November 2011.

**City of New London**  
**Notes to Financial Statements**

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**Note 11. Risk Management**

The City of New London is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City is currently a defendant in two pending state court actions in the Iowa District Court for Henry County, involving a claim of a violation of open meetings laws. While no suit has been filed, a lawsuit has been threatened for which there is no opinion as to the amount or range of potential loss.

**Note 12. Unconditional Guarantee**

On April 4, 2008, the City of New London, upon resolution of the City Council, agreed to guarantee the performance by the New London Community and School District Foundation of all terms and conditions of the agreement between the Foundation and the United States Department of Agriculture. The loan was to finance the construction of a child care facility. The New London Community School District is the fee title holder of record, but subject to a leasehold interest granted to the New London Community and School District Foundation.

The City of New London, upon notification by the United States Department of Agriculture of any default or non performance of said agreement by the New London Community and School District Foundation, shall make payments to cure said default out of any funds of the City of New London, Iowa, including out of its general operating fund or its Debt Service Fund established pursuant to Iowa Code 384.4. This Unconditional Guarantee shall be binding on all successive city councils as it is the intent of the City of New London that this Unconditional Guarantee shall exist for as long as the indebtedness to the United States is outstanding. The City waives all defenses to this Unconditional Guarantee, and pledges its full faith and credit to the repayment and guarantee of the loan.

**Note 13. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to:	
General fund	\$ <u>22,000</u>
	\$ <u>22,000</u>
Transfer from:	
Sewer revenue	\$ 11,000
Sanitation revenue	<u>11,000</u>
	\$ <u>22,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.



**City of New London**  
**Notes to Financial Statements**

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**Note 14. Other Postemployment Benefits (OPEB)**

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 12 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$233.42 for single coverage and \$583.56 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009, the City contributed \$103,153 and plan members eligible for benefits did not contribute to the plan.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of New London**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2009**

	Governmental Funds <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Net</u>	<u>Budgeted Amounts</u>		Final to Net <u>Variance</u>
					<u>Original</u>	<u>Final</u>	
Receipts:							
Property tax	\$ 362,711	\$ -	\$ -	\$ 362,711	\$ 371,204	\$ 371,204	\$ (8,493)
Tax increment financing collections	31,500	-	-	31,500	24,045	24,045	7,455
Other city taxes	163,702	-	-	163,702	152,393	152,393	11,309
Use of money and property	83,865	39,175	480	122,560	91,000	91,000	31,560
Licenses and permits	505	-	-	505	2,875	2,875	(2,370)
Intergovernmental	480,174	-	-	480,174	216,930	456,930	23,244
Charges for service	11,909	2,005,086	-	2,016,995	2,521,720	2,521,720	(504,725)
Miscellaneous	21,819	128,097	20,000	129,916	41,806	41,806	88,110
Total receipts	<u>1,156,185</u>	<u>2,172,358</u>	<u>20,480</u>	<u>3,308,063</u>	<u>3,421,973</u>	<u>3,661,973</u>	<u>(353,910)</u>
Disbursements:							
Public safety	275,522	-	-	275,522	341,170	341,170	65,648
Public works	184,477	-	-	184,477	206,533	206,533	22,056
Culture and recreation	105,726	-	-	105,726	117,311	117,311	11,585
Community and economic development	43,493	-	-	43,493	24,045	24,045	(19,448)
General government	154,095	-	-	154,095	137,820	137,820	(16,275)
Debt service	31,672	361,258	-	392,930	-	-	(392,930)
Capital projects	422,931	148,199	-	571,130	140,000	398,000	(173,130)
Business type activities	-	1,768,399	13,546	1,754,853	2,660,312	2,660,312	905,459
Total disbursements	<u>1,217,916</u>	<u>2,277,856</u>	<u>13,546</u>	<u>3,482,226</u>	<u>3,627,191</u>	<u>3,885,191</u>	<u>402,965</u>
Excess (deficiency) of receipts over disbursements	(61,731)	(105,498)	6,934	(174,163)	(205,218)	(223,218)	49,055
Other financing sources	<u>22,000</u>	<u>(22,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(39,731)	(127,498)	6,934	(174,163)	(205,218)	(223,218)	49,055
Cash balances beginning of year	<u>633,129</u>	<u>1,215,720</u>	<u>26,092</u>	<u>1,822,757</u>	<u>2,187,532</u>	<u>2,187,532</u>	<u>(364,775)</u>
Cash balances end of year	<u>\$ 593,398</u>	<u>\$ 1,088,222</u>	<u>\$ 33,026</u>	<u>\$ 1,648,594</u>	<u>\$ 1,982,314</u>	<u>\$ 1,964,314</u>	<u>\$ (315,720)</u>

See accompanying independent auditor's report.

**City of New London**  
**Notes to Required Supplementary Information - Budgetary Reporting**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, Internal Service Funds, and Fiduciary Funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$258,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Community and Economic Development, General Government, Debt Service, and Capital Projects functions.

## **OTHER SUPPLEMENTARY INFORMATION**

**City of New London**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2009**

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	Employee Benefit
Receipts:	
Property taxes	\$ 120,997
Miscellaneous	<u>572</u>
Total receipts	<u>121,569</u>
Disbursements:	
Public safety	28,293
Public works	10,819
Culture and recreation	11,980
General government	<u>65,017</u>
Total disbursements	<u>116,109</u>
Net change in cash balances	5,460
Cash balances beginning of year	<u>20,244</u>
Cash balances end of year	<u>\$ 25,704</u>

See accompanying independent auditor's report.

**City of New London  
Statement of Indebtedness  
Year Ended June 30, 2009**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
<b>General obligation bonds:</b>								
Capital loan note	09/01/99	4.50-5.50%	\$ 110,000	\$ 45,000	\$ -	\$ 15,000	\$ 30,000	\$ 2,430
Capital loan note	09/01/99	6.75-8.20%	55,000	<u>10,000</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>815</u>
Total				<u>55,000</u>	<u>-</u>	<u>20,000</u>	<u>35,000</u>	<u>3,245</u>
<b>Revenue bonds:</b>								
Electric revenue refunding notes	04/04/06	3.60-4.0%	835,000	300,000	-	285,000	15,000	11,715
Sewer revenue capital loan notes	04/07/05	3.00%	727,000	<u>643,000</u>	<u>-</u>	<u>30,000</u>	<u>613,000</u>	<u>19,290</u>
Total				<u>943,000</u>	<u>-</u>	<u>315,000</u>	<u>628,000</u>	<u>31,005</u>
<b>Other debt:</b>								
Danville State Bank-fire truck	11/20/03	2.875%	135,809	77,068	-	13,557	63,511	10,005
Danville State Bank-aerial truck	05/01/07	3.00%	98,000	78,336	-	19,549	58,787	2,390
Land contract purchase	09/02/08	3.50%	206,804	-	206,804	41,361	165,443	-
Daimler Chrysler -Freightliner truck	11/25/08	4.55%	106,469	<u>-</u>	<u>106,469</u>	<u>22,879</u>	<u>83,590</u>	<u>-</u>
Total				<u>155,404</u>	<u>313,273</u>	<u>97,346</u>	<u>371,331</u>	<u>12,395</u>
Total of all debt				<u>\$ 1,153,404</u>	<u>\$ 313,273</u>	<u>\$ 432,346</u>	<u>\$ 1,034,331</u>	<u>\$ 46,645</u>

See accompanying independent auditor's report.

**City of New London**  
**Bond and Note Maturities**  
**June 30, 2009**

**General Obligation Bonds**

Year Ending <u>June 30,</u>	<u>Capital Loan Note</u> <u>Issued September 1, 1999</u>		<u>Capital Loan Note</u> <u>Issued September 1, 1999</u>		General Obligation Bonds <u>Totals</u>	<u>Electric Revenue Bond</u> <u>Issued April 4, 2006</u>	
	Interest <u>Rate</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Amount</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Amount</u>
2010	8.20%	\$ 5,000	5.40%	\$ 15,000	\$ 20,000	4.00%	\$ 15,000
2011		-	5.50%	15,000	15,000		-
		<u>\$ 5,000</u>		<u>\$ 30,000</u>	<u>\$ 35,000</u>		<u>\$ 15,000</u>

**Other Debt**

Year Ending <u>June 30,</u>	<u>Fire Truck</u> <u>Danville State Bank</u> <u>Issued</u> <u>November 20, 2003</u>		<u>Aerial Truck</u> <u>Danville State Bank</u> <u>Issued</u> <u>May 1, 2007</u>		<u>Land</u> <u>Contract Purchase</u> <u>Issued</u> <u>September 2, 2008</u>		<u>Freightliner Truck</u> <u>Daimler Chrysler</u> <u>Issued</u> <u>November 25, 2008</u>		<u>Other Debt Totals</u>
	Interest <u>Rate</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Amount</u>	Interest <u>Rate</u>	<u>Amount</u>	
2010	2.875%	\$ 13,609	3.00%	\$ 19,600	3.50%	\$ 41,361	4.55%	\$ 19,524	\$ 94,094
2011	2.875%	14,000	3.00%	19,600	3.50%	41,361	4.55%	20,413	95,374
2012	2.875%	14,403	3.00%	19,587	3.50%	41,361	4.55%	21,341	96,692
2013	2.875%	14,815		-	3.50%	41,360	4.55%	22,312	78,487
2014	2.875%	6,684		-		-		-	6,684
		<u>\$ 63,511</u>		<u>\$ 58,787</u>		<u>\$ 165,443</u>		<u>\$ 83,590</u>	<u>\$ 371,331</u>

**Sewer Revenue Bond**

Year Ending <u>June 30,</u>	<u>Issued April 7, 2005</u>	
	Interest <u>Rate</u>	<u>Amount</u>
2010	3.00%	\$ 30,000
2011	3.00%	31,000
2012	3.00%	32,000
2013	3.00%	33,000
2014	3.00%	34,000
2015	3.00%	35,000
2016	3.00%	36,000
2017	3.00%	38,000
2018	3.00%	39,000
2019	3.00%	40,000
2020	3.00%	41,000
2021	3.00%	42,000
2022	3.00%	43,000
2023	3.00%	45,000
2024	3.00%	46,000
2025	3.00%	48,000
		<u>\$ 613,000</u>

See accompanying independent auditor's report.



**City of New London**  
**Schedule of Receipts By Source and Disbursements By Function -**  
**All Governmental Funds**

	Year Ended June 30,						
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:							
Property tax	\$ 362,711	\$ 355,068	\$ 346,641	\$ 336,364	\$ 338,933	\$ 335,928	\$ 324,636
Tax increment financing collections	31,500	30,071	29,378	31,645	30,930	27,147	26,431
Other city taxes	163,702	166,066	146,881	150,312	145,255	135,775	102,167
Use of money and property	83,865	97,782	83,138	69,169	64,074	63,820	67,960
Licenses and permits	505	865	880	1,480	2,232	1,745	1,543
Intergovernmental	480,174	651,234	300,204	208,805	205,790	243,872	258,095
Charges for services	11,909	29,041	26,892	28,185	28,418	36,718	9,313
Miscellaneous	<u>21,819</u>	<u>33,053</u>	<u>18,775</u>	<u>22,943</u>	<u>36,157</u>	<u>35,203</u>	<u>31,352</u>
Total	<u>\$ 1,156,185</u>	<u>\$ 1,363,180</u>	<u>\$ 952,789</u>	<u>\$ 848,903</u>	<u>\$ 851,789</u>	<u>\$ 880,208</u>	<u>\$ 821,497</u>
Disbursements:							
Operating:							
Public safety	\$ 275,522	\$ 376,362	\$ 296,617	\$ 256,482	\$ 229,864	\$ 228,702	\$ 276,349
Public works	184,477	229,548	172,628	208,992	176,035	187,660	172,797
Culture and recreation	105,726	118,635	114,108	115,307	105,579	89,922	110,880
Community and economic development	43,493	-	-	-	-	200	-
General government	154,095	139,578	122,309	117,137	114,271	124,696	120,708
Debt service	31,672	30,725	26,440	27,645	64,666	48,874	37,011
Capital projects	<u>422,931</u>	<u>586,374</u>	<u>134,885</u>	<u>43,767</u>	<u>81,130</u>	<u>212,581</u>	<u>175,915</u>
Total	<u>\$ 1,217,916</u>	<u>\$ 1,481,222</u>	<u>\$ 866,987</u>	<u>\$ 769,330</u>	<u>\$ 771,545</u>	<u>\$ 892,635</u>	<u>\$ 893,660</u>

See accompanying independent auditor's report.



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**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of New London, Iowa (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 5, 2009. Our report expressed unqualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 and I-B-09 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*CPA Associates PC*

October 5, 2009

**City of New London**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

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**Part I: Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES/MATERIAL WEAKNESSES**

- I-A-09 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of New London. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

- I-B-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**City of New London**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

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**Part II: Other Findings Related to Required Statutory Reporting**

II-A-09 Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.

II-B-09 Certified Budget - Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the community and economic development, general government, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-C-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-09 Bonds and Revenue Notes - The sewer revenue bond sinking fund was not established and monthly transfers were not made to the sewer revenue bond sinking fund as required by the sewer revenue bond resolution.

Recommendation - Monthly transfers should be made to the sewer revenue bond sinking fund as required by the sewer revenue bond resolution.

Response - The City will start the transfer of money to the sewer revenue bond sinking fund.

Conclusion - Response accepted.

II-H-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

**City of New London**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

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**Part II: Other Findings Related to Required Statutory Reporting (continued)**

II-I-09     Business Transactions - Business transactions between the City and City officials are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transactions</u>	<u>Amount</u>
Dennis Bozarth, Employee	Lot Mowing	\$ 1,458

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions do not appear to represent conflicts of interest since total transactions were less than \$2,500 during the fiscal year.

II-J-09     Payment to United States Department of Agriculture (USDA) - A payment was made to the USDA based on the unconditional guarantee made by the City for the New London Community and School District Foundation. The loan payment was from the Capital Projects Fund. The unconditional guarantee states the payments should be made out of the City's general operating fund or its Debt Service Fund established pursuant to Iowa Code 384.4.

Recommendation - The City should transfer from the Capital Project Fund to the General Fund or to the Debt Service Fund account for future funding contributions. Payments of the debt should then be disbursed from the General Fund or Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.